

## **Tax Supported 2026 Operating Budget and 2026-2036 Capital Budget and Plan**

**Date:** January 08, 2026  
**To:** Budget Committee  
**From:** City Manager and Chief Financial Officer and Treasurer  
**Wards:** All

### **SUMMARY**

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This report presents the City Staff Prepared 2026 Operating Budget and 2026-2035 Capital Budget and Plan for Tax-Supported Programs, including detailed accounts of Non-Program Expenditures and Revenues.

The Tax Supported 2026 Operating Budget and the 2026-2035 Capital Budget and Plan enable the City of Toronto to provide over 150+ distinct services, often reflecting services delivered 24 hours a day and 7 days a week that are relied on by residents, businesses, and visitors of Toronto.

As the largest city in Canada, Toronto faces systemic and complex challenges. These include, but are not limited to, limited revenue tools while delivering services that provide regional benefits in the absence of commensurate funding, operating the largest public transit systems in the country, growing demand for service, providing the most shelter beds per capita, and significant disruption to Development Charge funding for critical growth-related capital projects.

Toronto, as Canada's economic engine, generates substantial national benefits. These include \$63 billion in planned capital investments, hosting national and international headquarters and events, contributing billions annually in sales and income taxes, and serving as a major gateway for immigration. The City of Toronto delivers services, initiatives and projects that extend far beyond the traditional role of municipal government, which substantially benefits other orders of government.

The City employs a multi-year financial planning and budgeting practice that is transparent, accessible, and focused on service outcomes and accountability. This approach prioritizes public needs and ensures resources are used efficiently for effective service delivery and stewardship of City assets. Grounded in good governance, the City's budgeting practices aim to secure a financially stable and sustainable future for the City.

The 2026 Operating Budget seeks to balance increasing service demands with the City's commitment to fiscal responsibility and supporting affordability for residents. The 2026 Operating Budget was developed in collaboration with the Mayor and the Budget Chair, focusing on:

- Maintaining and preserving services relied upon by Torontonians.
- Supporting targeted investments that respond to community needs and reflect input from public consultations.
- Advancing a multi-year approach to address ongoing financial challenges.

The 2026-2035 Capital Budget and Plan continue to ensure both achievability and affordability through the following strategies:

- Increasing critical state of good repair (SOGR) investments to help manage the growing SOGR backlog.
- Leveraging the City Building Fund to meet transit and housing needs.
- Mitigating a significant disruption to Development Charge revenue by reprioritization and reallocating alternative city funding sources to support growth-related investments where possible.
- Maintaining a sustainable debt service ratio, keeping it below 15% annually

Despite these proactive measures, the City is experiencing significant capital budgeting challenges, driven by factors such as reduced Development Charge revenues leading to growth-related project reductions or deferrals, escalating project delivery costs, and a persistent SOGR backlog.

While the recommended actions lay a strong foundation, achieving long-term financial sustainability and supporting affordability for Torontonians will benefit from continued collaborative support from other orders of government. Partnering with provincial and federal counterparts will help ensure that essential services and key capital projects, such as those in emergency, housing, transit, and shelter services are maintained and expanded to meet shared objectives.

## RECOMMENDATIONS

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The City Manager and the Chief Financial Officer and Treasurer have prepared the following:

1. The 2026 Operating Budget for Corporate Accounts of \$2.028 billion gross, \$3.137 billion revenue and \$1.109 billion net revenue comprised of the following accounts:

<b>Accounts (\$ in thousands)</b>	<b>Gross Expenditure</b>	<b>Revenue</b>	<b>Net Expenditure / (Revenue)</b>
Capital and Corporate Financing	1,196,251	359,946	836,305
Non-Program Expenditures	543,239	190,683	352,556
Non-Program Revenues	261,322	2,575,310	(2,313,988)
Association of Community Centres	14,812	274	14,538
Arena Boards of Management	12,111	10,601	1,510
<b>Total Non-Program Budget</b>	<b>2,027,735</b>	<b>3,136,814</b>	<b>(1,109,079)</b>

- The above includes a 2026 budgeted staff complement comprised of operating positions for Parking Tag Operations of 394, Association of Community Centres of 101, and Arena Boards of Management of 67. The details of 2026 Budget by Service for Association of Community Centres and Arena Boards of Management can be found in Appendices 4 and 5, respectively. The details of Parking Tag Operations 2026 Budget can be found in a standalone Briefing Note provided to Budget Committee.
2. The contribution of \$458.754 million to the City Building Reserve Fund from the dedicated City Building levy for priority transit and housing capital projects.
  3. The 2026 Capital Budget and Plan for Corporate Initiatives with cash flows and future year commitments totaling \$0.500 million as detailed in Appendix 2.1.
  4. The contributions and withdrawals to/from reserves in Corporate Accounts as indicated in Appendix 3.
  5. The continuation of the existing Solid Waste Rebates for Low Income Seniors, Disabled and Multi-Residential customers as outlined in Appendix 6.

## FINANCIAL IMPACT

### Tax Supported 2026 Operating Budget and 2026-2035 Capital Budget and Plan Summary

This report outlines the 2026 Staff Prepared Corporate Accounts Budget, with expenditures of \$2.028 billion and revenues of \$3.137 billion, including the Operating Budgets for the Association of Community Centres and Arena Boards of Management.

Corporate Accounts, covering Capital and Corporate Financing, and Non-Program Expenditures and Revenues, form part of the City's overall Operating Budget and are detailed in Appendix 1.

This report also summarizes corporate capital initiatives, totalling \$0.500 million in cash flow funding, detailed in Appendix 2.1, as part of the City's 10-year capital program.

Table 1 provides a summary of the 2026 Operating Budget and the 2026-2035 Capital Budget and Plan, including gross and net expenditures, as well as debt requirements for City Operations, City Agencies, and Corporate Accounts.

**Table 1: Staff Prepared 2026 Operating Budget and 2026-2035 Capital Budget and Plan**

Total Tax-Supported Budget and Plan (\$ in million)	Operating Budget		Capital Budget and Plan			
	2026		2026		2026-2035	
Programs	Gross	Net*	Gross	Debt	Gross	Debt
City Operations	9,003	3,580	2,335	1,059	23,221	12,339
City Agencies	5,583	3,320	1,919	428	19,380	3,942
Corporate Accounts and Capital Financing	2,028	(1,109)	N/A			
<b>Total Tax Supported Budget</b>	<b>16,614</b>	<b>5,791</b>	<b>4,254</b>	<b>1,487</b>	<b>42,601</b>	<b>16,281</b>
<b>Rate Supported Programs***</b>	<b>2,250</b>	<b>0</b>	<b>1,003</b>	<b>41</b>	<b>20,455</b>	<b>352</b>
<b>Total Tax &amp; Rate</b>	<b>18,864</b>	<b>5,791</b>	<b>5,257</b>	<b>1,528</b>	<b>63,056</b>	<b>**16,633</b>

\* Excludes special dedicated levy

\*\* Includes Capital from Current

\*\*\* 2026 Gross Expenditure Operating Budget includes capital reserve contributions to fund the 10-Year Capital Plan

### Tax Supported 2026 Operating Budget Overview

The Tax Supported 2026 Operating Budget totals to \$16.614 billion gross and \$5.791 billion net. This represents a \$0.174 billion (1.1%) increase in gross expenditures (when including additional intergovernmental flow through funding and internal City transfers), and a \$0.152 billion (2.7%) increase in net expenditures over the 2025 Budget, when including an added \$75.0 million contribution to the City Building Fund from the

dedicated capital levy. While maintaining and preserving the services that Torontonians rely on and supporting affordability for Torontonians, this budget addresses key priorities, which includes implementation of new initiatives to support added investments strategically in transit, affordable housing, and public safety. A comprehensive list of new initiatives in the 2026 Staff Prepared Operating Budget can be found in Appendix 1.4.

From the gross expenditure perspective, the Tax-Supported 2026 Operating Budget primarily allocates funds to Cost-Shared Social Programs (26%), Transit (16%), and Emergency Services (15%), with the remaining 43% allocated to other City Programs and Agencies. From the revenue perspective, the funding source are Property Taxes (31%), Federal and Provincial revenues (24%), with the remaining 45% generated through fees, investments, and reserve draws.

### ***Tax Supported 2026-2035 Capital Budget and Plan Overview***

The Tax-Supported 2026-2035 Capital Budget and Plan totalling \$42.601 billion reflects a \$1.103 billion increase over the previously approved 10-Year Capital Plan with priority investments in transit, housing, and community services. Capital projects are financed by various sources, with the City prioritizing and maximizing use of external and non-debt funding before resorting to debt issuance. The Tax-Supported 2026-2035 Capital Budget and Plan will require \$16.281 billion in all combined forms of debt financing. After offsetting Capital from Current, which is part of the non-debt financing strategies, the base tax levy funded debt will be \$13.183 billion over the 10 years.

The Tax-Supported 2026-2035 Capital Budget and Plan invests \$17.255 billion in Transit, \$6.599 billion in Transportation, \$5.183 billion in Housing which is augmented by a further \$3.577 billion in investment provided through foregone revenues.

The 2026 Staff Prepared Operating Budget and 10-Year Capital Plan contains 34 new or enhanced GHG reduction actions identified via the Carbon Budget Prioritization process, with an estimated annual GHG reduction impact of 73,814 t CO<sub>2</sub>e in 2026, growing to 217,914 t CO<sub>2</sub>e annually once the programs, services and/or projects are fully implemented. These emission reductions would be additional to the impact expected from baseline GHG reduction actions included in the 2025 Budget and continued in the 2026 Budget, which have an estimated annual GHG reduction impact of 173,030 t CO<sub>2</sub>e in 2026.

The 2026-2035 Capital Budget and Plan continues to balance the City's growing infrastructure needs while taking into consideration capital delivery capacity and affordability. It aims to ensure the City's aging infrastructure remains in a state of good repair to support critical services, and continue to invest in transit and traffic improvement, housing and community services to meet the diverse and growing needs from population growth, rising costs, and delivery of Council priorities.

## DECISION HISTORY

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At its meeting on July 24, 2024, City Council endorsed a plan to reallocate the funds resulting from the upload of the Gardiner Expressway and Don Valley Parkway (DVP) to the Province of Ontario. The upload of the Gardiner and DVP allows for approximately \$1.9 billion to be re-invested in existing and unfunded City infrastructure priorities over the next 10-year planning period, subject to a third-party due diligence assessment. The report identifies priority areas in the City that require a significant state of good repair investment. The Executive Director, Financial Planning, and the Chief Financial Officer and Treasurer will work with relevant City Divisions and Agencies to invest in priority infrastructure renewal projects over the 10-year planning period through the 2025 Budget process.

<https://secure.toronto.ca/council/agenda-item.do?item=2024.EX16.2>

At its meeting on May 22, 2024, City Council adopted the 2024 Corporate Asset Management Plan (AMP) which encompasses 25 City Divisions, Agencies, and Corporations that hold ownership and/or responsibility over City-owned municipal infrastructure assets. The City's 2024 Corporate AMP builds upon previous divisional asset management plans and establishes a critical baseline to identify areas for improvement in asset lifecycle management, capital planning, and forecasting across the City. These will be crucial instruments for the 2025 planning process and beyond to inform strategic investment decisions including both the funded and unfunded portions, during the City's annual budget process.

<https://secure.toronto.ca/council/agenda-item.do?item=2024.EX14.6>

At its meeting on April 9, 2024, Executive Committee adopted a comprehensive framework for capital prioritization which is intended to provide the City with an objective tool and approach for prioritizing capital projects within the City's financial and project delivery capacity, based on a set of weighted criteria. Development of a capital prioritization framework will positively contribute to the City's long-term financial sustainability and advance the strategic directions and goals of City Council, by effectively allocating and prioritizing available capital funding during the City's 10-Year Capital Plan during the annual budget process.

<https://secure.toronto.ca/council/agenda-item.do?item=2024.EX13.6>

On September 6, 2023, City Council adopted the Updated Long-Term Financial Plan which directed staff to make specific requests of the provincial and federal governments in recognition of the City's immediate and ongoing financial challenges, including: funding for transit operations and maintenance of Eglinton Crosstown (Line 5) and Finch West (Line 6); a new funding model for transit operations; uploading of responsibility for the Frederick G. Gardiner Expressway and the Don Valley Parkway; and to continue to advocate for a new fiscal framework commensurate with the complexity and scope of municipal services delivered by the City of Toronto.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.EX7.1>

## COMMENTS

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### ***Multi-Year Strategy***

The 2026 opening Operating Budget pressure was forecasted to be \$1.072 billion when the 2025 Operating Budget was presented in January 2025. The 2026 Operating Budget pressure rose to \$1.3 billion during the development of the budget as divisions and agencies reevaluated the budget required to maintain existing program service levels, as well as adding costs associated with unexpected budget changes such as impacts associated with provincial changes to Automated Speed Enforcement. The increase in the opening Operating Budget pressure reflects the affordability challenges the City continues to face due to growth, increased demand for services, inflation, and tariff impacts. These pressures cannot be addressed in a single year, and a multi-year approach remains essential to enhance financial stability over the long-term.

The strategy includes the following actions:

- Identifying sustainable versus bridging offsets to model multi-year budget impacts.
- Modelling multi-year property tax increases to balance fiscal responsibility and service needs.
- Maximizing funding support provided by the Province of Ontario and the Government of Canada, such as New Deal funding, and continue ongoing discussions with our intergovernmental partners on future required funding support.
- Considering long-term impacts on critical assets and infrastructure, including state of good repair needs.
- Monitoring emerging fiscal risks, including inflation, tariff impacts, and SOGR pressures, to inform multi-year planning and maintain financial stability.

### ***Single Family Residential Low Income Relief Program***

As part of the City's water rate structure, since January 1, 2008, City Council approved a [Toronto Water Rebate Program](#) for low-income seniors and low-income persons with disabilities who meet the eligibility criteria as prescribed in the Municipal Code, Chapter 849. To mitigate the impact of reductions to the Solid Waste Rebate on low-income ratepayers, Solid Waste Management Services implemented a Single Family Residential Low Income Relief Program which was incorporated into the existing Toronto Water Rebate Program and as defined in Municipal Code, Chapter 844-30.1.

Solid Waste Management Services' Single Family Residential Low Income Relief Program applies to all eligible bin customers that currently receive a rebate which includes only small, medium, large bin and bag only customers and incorporates other Toronto Water Rebate Program criteria, such as income levels. Customers with a small, medium, or large bin who are already enrolled in the Water Rebate Program are automatically enrolled in the Single Family Residential Low Income Relief Program.

As recommended, the Solid Waste Rebates for Low Income Seniors, Disabled and Multi-Residential customers are to continue as an on-going program.

## **CONTACT**

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## **SIGNATURE**

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Stephen Conforti  
Chief Financial Officer and Treasurer

## **ATTACHMENTS**

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### Appendix 1: Tax Supported 2026 Operating Budget

- 1.1: 2026 Gross Expenditure Budget
- 1.2: 2026 Revenue Budget
- 1.3: 2026 Net Expenditure Budget
- 1.4: 2026 Total New and Enhanced Service Priorities

### Appendix 2: 2026-2035 Capital Budget and Plan

- 2.1: 2026 Cash Flow and Future Year Commitments for Corporate Initiatives

### Appendix 3: Contributions and Withdrawals to/from Reserves in Corporate Accounts

### Appendix 4: 2026 Operating Budget for Association of Community Centres

### Appendix 5: 2026 Operating Budget for Arena Boards of Management

### Appendix 6: 2026 SWMS Rebates for Low Income Seniors, Disabled & Multi-Res